

MINUTES OF MEETING

These minutes have not been reviewed or approved by the RISLA Board of Directors. These minutes are being posted in order to be in compliance with the State Open Meetings Law. Board approved minutes will be submitted when available.

The 307th meeting of the Rhode Island Student Loan Authority was held on Friday, October 25, 2013 in the McKenna Conference Room, 1st Floor, 560 Jefferson Boulevard, Warwick, Rhode Island.

Members in attendance:

Mr. Robert J. Delaney
Ms. Christine Barnes Jenkins
Mr. Dennis J. Duffy, Esq.
Mr. Daniel P. Egan
Mr. Chris Feisthamel, Designee of the General Treasurer

Member Absent:

Mr. Robert R. Theroux

Others in attendance:

Mr. Charles Kelley
Ms. Jennifer Dutch
Mr. Kevan McAleer
Ms. Deborah Machowski
Mr. Joseph Palumbo
Mr. Jeffrey Gamelin
Mr. Adrian VanAlphen
Mrs. Lindie Johnson
Ms. Beth Cotter

The meeting was called to order at 10:30 a.m.

Upon a motion made by Mr. Feisthamel and seconded by Mr. Duffy, it was unanimously

VOTED to approve the minutes from the Board of Directors meeting held on September 20, 2013.

Chairman's Report

The Chairman's Report was deferred to later in the meeting.

Executive Director's Report

Mr. Kelley briefly discussed the lease with RIHEAA. He mentioned that it has expired and that both agencies have hired real estate appraisers to determine the rental value of comparable properties. He stated that at the next Board meeting he would present a proposal to the Board that may also include expanded space on the second floor of the building.

The demonstration of the bridge,jobs Internship Portal was deferred to the end of the meeting.

Public Awareness Implementation Plans

Mr. Kelley informed the Board that RISLA's focus for the next few months for is going to be increasing public awareness. He mentioned that RISLA has 1400 friends on facebook.

Mr. Delaney stated that social media is a way to post on a regular basis. He also said that RISLA should use social media to get the message out because it is important in moving forward to develop a much broader marketing and outreach plan in the future.

#6 Action Item: Review of New Initiatives:

- a) **Refinancing Program**
- b) **Line of Credit**
- c) **Expansion of Loan Forgiveness for Interns**

Refinancing Program

Mr. Kelley spoke about the refinancing program, also frequently referred to as the consolidation program. [He stated that many borrowers have loans with variable interest rates and as rates rise, those borrowers would like to lock in their rates and also for those borrowers who have fixed rate loans, RISLA can save them a couple of percentage points in interest. He said RISLA is in the process of preparing the necessary disclosures and modifying the loan origination system.

Mr. Kelley stated that one of the issues will be that RISLA will have to turn down borrowers for credit reasons based on RISLA's credit criteria. Mr. Duffy inquired what the standards were going to be for these types of borrowers. Mr. Kelley said that they would have to have the same standards as current borrowers with one main difference. Now about 98% of RISLA loans have a co-maker. With the refinancing, there will more likely be a single borrower, with the option to have a cosigner.

Mr. Feisthamel asked if this product was geared toward the post graduate market and what is the average repayment on a loan? Mr. Kelley stated that it is typically 10-15 years for repayment on a RISLA loans. He also said that parents typically repay their Parent PLUS loan in about 6-7 years. The terms of the refinancing program would be 5-15 years, shorter term, lower rate. Mr. Duffy asked if this program would limit the capacity to continue lending to students in school. Mr. Kelley said it would not and that currently RISLA loans are made with tax exempt bonds. Mr. Kelley told the board that he's already submitted a private letter ruling into the IRS and needs to determine if the funding would have to be taxable or non taxable. Mr. Feisthamel asked if RISLA would be targeting current borrowers. Mr. Kelley said he would not because they already have a low rate and we are projecting approximately \$10 million of refinancing in the first year.]

Upon a motion made by Mr. Feisthamel and seconded by Mr. Egan, it was unanimously

VOTED to endorse continued effort, research and product development without specifically endorsing implementation of a refinancing program.

Line of Credit

Mr. Kelley told the board members that RISLA would like to introduce a new line of credit education loan program for graduate and continuing education students. He said most students pay for such programs with credit cards. If a credit card balance is not paid monthly, interest charges can be upwards of 17-18%. RISLA can finance these LOC loans at 5-6%. Mr. Kelley pointed out that many of the classes do not qualify for federal or state aid. As a student goes online to register for a class, they need to make the payment at that time. He stated that this would be a pilot program to get some data on delinquencies and default characteristics and start with one or two schools initially. Mr. Kelley anticipates having a

higher default rate of approximately 8-10% and anticipates initially breaking even. Mr. Duffy asked what the rate would be. Mr. Kelley said initially it would be 3 month LIBOR plus 5 or 6, with a co-signer the interest rate would be lower, and there are no fees. He said initially RISLA will lend about \$500,000. Mr. Duffy asked if RISLA would end up with a similar default rate as a credit card company. Mr. Kelley stated that he did not think so because this would be just for education financing and in order to receive the funds the borrower would need to have a FICO score in the high 600s to low 700s. Ms. Jenkins asked for clarification that the funds will go directly to the school and not the individual and that the funds are only for the costs of the classes and mandatory fees and not room and board. Mr. Kelley verified that is correct and that he also needs to work out a letter of understanding with the schools to cover refund policies.

Mr. Kelley said Roger Williams University is the school that RISLA is using for the pilot program to see how the program works and to make sure the systems are in order. He indicated that RWU is very enthusiastic about the program.

Upon a motion made Mr. Duffy and seconded by Ms. Jenkins, it was

VOTED that the agency should move forward with the development of the Line of Credit program.

Mr. Egan announced that he had a conflict of interest and recused himself from the voting on the matter.

Expansion of Loan Forgiveness for Interns

Mr. Kelley reminded the board that RISLA currently offers \$2,000 in loan forgiveness if a student participates in an internship for which they receive at least 3 credits that is not required as part of a degree program. Schools have been very vocal about expanding loan forgiveness for programs that require internships as part of the degree program and that target high need areas.

Upon a motion made by Mr. Feisthamel and seconded by Mr. Egan, it was unanimously

VOTED to table the expansion of loan forgiveness for interns.

#7 Action Item: College Planning Center Lease

Mr. Kelley briefly discussed the leases RISLA has at the Warwick Mall and in Bristol for the College Planning Center. He said there would be a 4% increase at the Mall. Mr. Palumbo said he has reviewed each lease and they are substantially the same as previous years.

Upon a motion made by Mr. Feisthamel and seconded by Mr. Duffy it was unanimously

VOTED to proceed with negotiation of renewal of the leases for the College Planning Center.

Interim Financials

Mr. McAleer reviewed the August 31, 2013 financials with the board members.

Upon a motion made by Mr. Duffy and seconded by Ms. Jenkins it was unanimously

VOTED to accept the August 31, 2013 financial statements.

Demonstration of bridge.jobs Internship Portal

Mr. VanAlphen gave a demonstration of how the internship portal is used by employers and students.

Upon a motion made by Mr. Duffy and seconded by Mr. Egan it was unanimously

VOTED to adjourn at 12:00 p.m.

Mr. Robert Theroux
Secretary